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INTRODUCTION

The Marquette County Friend of the Court (FOC) had a contract with the Michigan Family Independence Agency (FIA) to enforce all orders of support over which the Marquette County FOC had jurisdiction, to locate absent parents, and to provide certain reports on child support collections to the FIA. The Marquette County FOC billed FIA monthly under the actual cost reimbursement billing method. The FIA reimbursed Marquette County for their costs based on the Federal IV-D Program regulations.

SCOPE

We performed an audit of the costs submitted for reimbursement by the Marquette County FOC for the period January 1, 1999 through September 30, 1999. We also performed an audit of the costs submitted for reimbursement by the Marquette County FOC for the period October 1, 1999 through December 31, 1999. Our audits were conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We performed the audit tests that we determined were necessary to determine if the costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

EXECUTIVE SUMMARY

We found that the Marquette County FOC overbilled the FIA for some line items, underbilled for others, and was overpaid for the period January 1, 1999 through September 30, 1999. The State share of the net amount overbilled/overpaid was \$4,330. We also found that the Marquette County FOC overbilled the FIA for some line items and underbilled for others for the period October 1, 1999 through December 31, 1999. The State share of the net amount overbilled was \$846. (See Schedule A.)

Our report recommends the Family Services Administration initiate the process to recoup a total of \$5,176 (\$4,330 + \$846) from the Marquette County FOC.

FOC RESPONSE

The Marquette County FOC did not respond to the draft audit report.

FINDINGS

Personnel Billed not in Agreement with the General Ledger

1. The Marquette County FOC overbilled the FIA \$200 for October 1, 1999 through December 31, 1999 Personnel costs. The billed costs for October and December 1999 did not agree with the costs contained in the general ledger. The general ledger is a source document for the billings. (See Schedule A.)

Other Direct Billed not in Agreement with the General Ledger

2. The Marquette County FOC overbilled the FIA \$158 for Other Direct costs. The billed costs for January 1, 1999 through September 30, 1999 did not agree with the costs contained in the general ledger. The general ledger is a source document for the billings. (See Schedule A.)

Termination Pay – Central Services

3. The Marquette County FOC underbilled \$1,030 for January 1, 1999 through September 30, 1999 termination pay. The Marquette County FOC also underbilled \$310 for October 1, 1999 through December 31, 1999 termination pay. Termination pay was allocated to various county departments through the Marquette County 1997 Indirect Cost Plan (used to bill 1999). Termination pay was allocated to the last department in which an employee worked. Under

Attachment B, Section 11.d (3) of OMB Circular A-87 (A-87), this benefit must be allocated as a general administrative expense. (See Schedule A.)

Retiree Payroll - Central Services

4. The Marquette County FOC overbilled \$366 for January 1, 1999 through September 30, 1999 retiree payroll. The Marquette County FOC also overbilled \$110 for October 1, 1999 through December 31, 1999 retiree payroll. Retiree payroll was allocated to various county departments through the Marquette County 1997 Indirect Cost Plan (used to bill 1999). Retiree payroll was allocated to the last department in which an employee worked. Under Attachment B, Section 25.e of A-87, this benefit must be allocated as a general administrative expense. (See Schedule A.)

Retirees' Hospitalization – Central Services

5. The Marquette County FOC overbilled \$2,593 for January 1, 1999 through September 30, 1999 retirees' hospitalization. The Marquette County FOC also overbilled \$780 for October 1, 1999 through December 31, 1999 retirees' hospitalization. Retirees' hospitalization was allocated to various county departments through the Marquette County 1997 Indirect Cost Plan (used to bill 1999). Retirees' hospitalization was allocated to the last department in which an employee worked. Under Attachment B, Section 25.e of A-87, this benefit must be allocated as a general administrative expense. (See Schedule A.)

Unemployment – Central Services

6. The Marquette County FOC underbilled \$788 for January 1, 1999 through September 30, 1999 unemployment. The Marquette County FOC also underbilled \$237 for October 1, 1999 through December 31, 1999 unemployment.

Unemployment was allocated to various county departments through the Marquette County 1997 Indirect Cost Plan (used to bill 1999). Unemployment was allocated to the last department in which an employee worked. Under Attachment B, Section 25.e of A-87, this benefit must be allocated as a general administrative expense. (See Schedule A.)

Equipment Use Charge for Fully Depreciated Equipment – Central Services

7. The Marquette County FOC overbilled \$228 for January 1, 1999 through September 30, 1999 equipment use charge. The Marquette County FOC also overbilled \$69 for October 1, 1999 through December 31, 1999 equipment use charge. The equipment use charge was for Annex equipment purchased in 1978. This equipment is considered fully depreciated and a use allowance was not negotiated in accordance with Attachment B, Section 15.g of A-87. (See Schedule A.)

Data Processing – Central Services

8. The Marquette County FOC overbilled \$817 for January 1, 1999 through September 30, 1999 data processing. The Marquette County FOC also overbilled \$246 for October 1, 1999 through December 31, 1999 data processing. The data processing was allocated to the FOC through the Marquette County 1997 Indirect Cost Plan (used to bill 1999). All data processing costs must be reported in the Data Processing line item per Section IV.C.2 of the CRP Application Instructions. These data processing costs were billed as part of Central Services. Also data processing costs eligible for CSES reimbursement cannot be charged to the CRP contract per Section IV.C.2 of the CRP Application Instructions (as further clarified in FOC Letter 2000-006). (See Schedule A.)

Service Fees not in Agreement with the General Ledger

9. The Marquette County FOC overreported Service Fees of \$433 to the FIA for January 1, 1999 through September 30, 1999. The amount reported for May 1999 did not agree with the service fees recorded in the general ledger, which is a source document for the billings. (See Schedule A.)

Excess Service Fees not Included as IV-D Income

10. The Marquette County FOC underreported Service Fees of \$306 to the FIA for October 1, 1999 through December 31, 1999. The service fees collected in November and December of 1999 exceeded the unreimbursed Parenting Time and Custody. (Unreimbursed Parenting Time and Custody is difference between parenting time expense and mediation fees collected.) The excess service fees are considered IV-D income in accordance with FOC Letters 99-027 and 2000-007. (See Schedule A.)

Overpayment

11. The Marquette County FOC was overpaid \$2,932 by the FIA for January 1, 1999 through September 30, 1999. The Marquette County FOC was paid \$9,493 related to a budget adjustment / line-item transfer. The amount should have been \$6,561. The overpayment was the result of a combination of an incorrect IV-D % applied to an incorrect total expense amount. (See Schedule A.)

Internal Service Funds, Effect on the 1999 Indirect Cost Plan

12. Copy, telephone, and computer costs were accounted for in the Copy/Computer fund, an internal service fund. Copy costs and telephone costs were charged, in 1999, to all departments including the FOC. Computer costs are not charged to the FOC, but some of the departments that are charged computer costs allocated their

costs to the FOC through the indirect cost plan. Attachment C, Section G. 2 of A-87 limits the reserves in an internal service fund to sixty days of working capital. As of December 31, 1999 sixty days working capital for the Copy/Computer fund would have equaled approximately \$40,000. The retained earnings balance in the fund at December 31, 1999 was \$541,032. In addition the Attachment B, Section 25 of A-87 restrictions and requirements related to reserves and the crediting of investment income to reserves were not met. No adjustment is made in the audit period because the copy and telephone portions of the fund did not appear to make money in the audit period and the 1999 indirect cost plan was not yet completed.

The costs charged by the Copy/Computer fund to the FOC, and to the departments that allocate costs to the FOC through the indirect cost plan, should be actual cost and should be reduced for any excess working capital in the Computer/Copy fund. If an operating transfer-out is used to reduce working capital, the departments that have been charged for costs should receive a credit.

Fringe Benefit Costs Allocated by the General Fund

13. Hospitalization and Workers' Compensation costs were paid by the General Fund and then allocated to the various departments by the payroll system. Although it appeared that the FOC was allocated its appropriate share of the costs, it was not clear that the exact actual cost was charged. Marquette County needs to assure that the payroll system is accurately distributing the actual costs because the CRP contract requires that only actual costs be charged.

WE RECOMMEND the Family Services Administration initiate the process to recoup a total of \$5,176 (\$4,330 + \$846) from the Marquette County FOC.

WE ALSO RECOMMEND that the Family Services Administration review the 1999 Marquette County indirect cost plan (used to bill 2001) to assure copy/computer costs of departments that allocate costs to the FOC meet the excess working capital requirements of A-87.

Finding #	Line Item	Audit Period	(Over)/Under Billed Gross Amount	IV-D %	(Over)/Under Billed IV-D Amount	State %	Due (State) County
2	Other Direct	1/1-9/30 1999	\$ (164)	96.19%	\$ (158)		
3	Central Services	1/1-9/30 1999	\$ 1,071	96.19%	\$ 1,030		
4	Central Services	1/1-9/30 1999	\$ (381)	96.19%	\$ (366)		
5	Central Services	1/1-9/30 1999	\$ (2,696)	96.19%	\$ (2,593)		
6	Central Services	1/1-9/30 1999	\$ 819	96.19%	\$ 788		
7	Central Services	1/1-9/30 1999	\$ (237)	96.19%	\$ (228)		
8	Central Services	1/1-9/30 1999	\$ (849)	96.19%	\$ (817)		
9	Service Fees	1/1-9/30 1999	\$ 450	96.19%	\$ 433		

Grand Total of the IV-D Audit Adjustments

\$ (1,912)

Calculation of the Payment Due the (State) County

Audited IV-D Amount

\$ 334,098

IV-D Amount Used for the Payments Actually Made

(336,010)

\$ (1,912) 73.15% \$ (1,398)

11 Overpayment

(2,932)

IV-D Audit Adjustment Due (State) County

\$ (4,330)

1	Personnel	10/1-12/31 1999	\$ (230)	86.79%	\$ (200)
3	Central Services	10/1-12/31 1999	\$ 357	86.79%	\$ 310
4	Central Services	10/1-12/31 1999	\$ (127)	86.79%	\$ (110)
5	Central Services	10/1-12/31 1999	\$ (899)	86.79%	\$ (780)
6	Central Services	10/1-12/31 1999	\$ 273	86.79%	\$ 237
7	Central Services	10/1-12/31 1999	\$ (79)	86.79%	\$ (69)

8	Central Services	10/1-12/31 1999	\$	(283)	86.79%	\$	(246)
10	Service Fees	10/1-12/31 1999	\$	(318)	96.11%	\$	(306)

Grand Total of the IV-D Audit Adjustments						<u>\$ (1,162.61)</u>
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Calculation of the Payment Due the (State) County

Audited IV-D Amount		\$	109,938	
IV-D Amount Used for the Payments Actually Made			(111,101)	
IV-D Audit Adjustment Due (State) County		<u>\$</u>	<u>(1,163)</u>	72.74% <u>\$</u> <u>(846)</u>